arrangements, the whole machinery of exchange broke down because from all over the world the market in exchange went one way. Everybody wanted to buy bills on London, and there were no bills to be had.

There vfcis also the internal problem which arose because some of the public and some of the banks took to the evil practice of hoarding gold just at the wrong moment, and consequently there was no available supply of legal tender currency except in the shape of Bank of England notes, the smallest denomination of which is £5. It is known that our bankers had long before pointed out to the Treasury that if ever a banking crisis arose there would, or might be, this demand for a paper currency of smaller denominations than £5 ; this suggestion got into a pigeon-hole at the Treasury and was deep under the dust of Whitehall by the time experience proved how big a gap in our financial armour had been made by its neglect. If the *£i* notes, with which we are now so familiar, had been ready when the war broke out, or, still better, if the Bank of England had been empowered and instructed to have an issue of its own *£i* notes ready, it may at least be contended that the moratorium, which was so bad a financial beginning of the war, might have been avoided.

But this opening crisis was a short-

lived matter, and was promptly dealt with, thanks to the energy and courage of Mr Lloyd George, who was then Chancellor of the Exchequer, and saw that things had to be clone quickly, and took the advice of the